



Office of Audit Services
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February 18, 2009

AGENDA ITEM 4

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** Draft Management Letter for the Fiscal Year Ended June 30, 2008
- II. PROGRAM:** Audit Services
- III. RECOMMENDATION:** Staff requests Finance Committee recommendation to the Board of Administration for acceptance of the 2008 Draft Management Letter, as prepared by Macias Gini & O'Connell, LLP for the Fiscal Year Ended June 30, 2008.

IV. ANALYSIS:

The Board of Administration's independent financial statement auditor, Macias Gini & O'Connell, LLP, completed its audit of CalPERS' Financial Statement for the Year Ended June 30, 2008 as required in Section 20228 of the Government Code. The Board of Administration approved the basic financial statements on November 20, 2008. In connection with the audit of the financial statements, Macias Gini & O'Connell, LLP prepared a Management Letter that includes observations and recommendations to enhance CalPERS' accounting and administrative internal controls as well as operational processes.

The 2008 Draft Management Letter is presented as Attachment A in this agenda item as a stand alone report. Macias Gini & O'Connell, LLP discussed the observations and recommendations in the Draft Management Letter with CalPERS' management who have concurred with the observations and prepared a response to each recommendation. Management's responses are included in this Draft Management Letter.

Members of the Finance Committee
February 18, 2009

Representatives of Macias Gini & O'Connell, LLP and CalPERS' management are available to answer questions of the Committee members.

Consistent with the Finance Committee's Audit Resolution Policy, the status of the observations in the 2008 Management Letter will be reported to the Finance Committee until such time as management has satisfactorily resolved each noted observation.

This Management Letter is considered a draft until it is accepted by the Board of Administration and subsequently signed by Macias Gini & O'Connell, LLP. The signed Management Letter will be distributed to the Board of Administration and CalPERS' executive staff and senior management.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic Plan, but it is part of the ongoing work of the Office of Audit Services.

VI. RESULTS/COSTS:

CalPERS' management is responsible for determining the cost benefit of implementing corrective action plans for the observations noted in the Management Letter. These plans should outline measures to resolve the issue, staff responsible for implementing the corrective actions, resource requirements, and timeframe. There is no additional cost for this specific agenda item.

LARRY JENSEN, Chief
Office of Audit Services

PETER H. MIXON
General Counsel

Attachment